

Connecticut Association of Assessing Officers, Inc.

March 14, 2014

Re: HB 5510

Members of the Planning and Development Committee:

I speak to you today representing the CAAO in regards to HB 5510.

The CAAO recommends Opposing HB 5510.

HB 5510 would be in direct contrast to the four statutes that expressly define how real estate is assessed in Connecticut.

1. The most important statute in all of municipal tax assessment is CGS 12-63 "Rule of Valuation" where assessors are required to value all property (other than farm, forest & open space) at its "fair market value". Certainly a property that is 90% completed has more value than a vacant lot and FMV is the backbone of the local property tax in CT.
2. CGS 12-64 (Real Estate Liable for Taxation) requires property which is under construction to be assessed and states: "all other buildings and structures, house lots, all other building lots and improvements thereon and thereto" are liable for taxation. The key word here is "improvements" which is a real estate term for anything added to the land and is defined in the dictionary of real estate appraisal as "buildings or any other relatively permanent structures or developments located on the land".
3. C.G.S. 12-53a (Assessment and Taxation of New Real Estate Construction) states in the first sentence that "completed new construction completed after" October 1st is liable for taxation. Key terminology here is "completed after" the assessment date which indicates that you may only add on the portion completed after October 1st. Why? Because the portion completed prior to October has already been assessed pursuant to CGS 12-63 & CGS 12-64.
4. C.G.S. 12-53a subsection (c) states: the assessor shall determine the increment by which assessment for completed construction exceeds the assessment on the taxable grand list for the immediately preceding assessment date and prorate that increment. If property partially completed or under construction on October 1st were not intended to be assessed, there would be no need to "determine the increment" and the assessor would merely take the "assessment for the completed construction and prorate it". This language further supports that the incomplete portion constructed prior to October 1st has been assessed.
5. C.G.S. 12-88 (When Property Otherwise Taxable May be Completely or Partially Exempted) provides an exemption for a church or non-profit who is not in "exempt use".... "if the construction of such buildings or improvements is in progress". There would be no need for an exemption for property under construction if property under construction should not be taxable in the first place.

Two years ago, in PA 12-157, Connecticut confirmed that property under construction must be assessed based on its fair market value and more recently the Connecticut Supreme Court ruled in *Kasica v. Town of Columbia* ruled that property under construction must be assessed based on its FMV.

Two years ago, the C.A.A.O. conducted a survey which found that if we did not assess property under construction, Connecticut municipalities stood to lose 35 million dollars annually. However, HB 5510 will not only exempt property under construction, it also further restricts the assessor from taxing it until one year after the property has sold. This means you create a protected class which will not be taxed based on its fair market value, and not be taxed for an additional year resulting in two identical homes will have drastically different tax liabilities.

C.A.A.O. requests that you oppose HB 5510 in order to ensure a fair distribution of the local property tax based on fair market value..

Respectfully,

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Legislative Chairman
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